

Liberal economic reform in Ghana: a contested political agenda.(The Politics of Economic Integration in Africa)

In response to an economic crisis in the early 1980s, the Ghanaian government accepted a Structural Adjustment Program formulated by the World Bank and the *IMF*. The program emphasized the elimination of price controls, privatization of state industries, removal of subsidies, free trade, and other orthodox liberal economic measures. Since 1983 the Ghanaian government has implemented these economic policies more consistently than any other African government.(1)

One of the most distinctive characteristics in Ghanaian politics is that the regime's commitment to liberal economic reform has changed its relationships to various economic interest groups. Before the implementation of Ghana's structural adjustment program known as the Economic Recovery Program (ERP), the Rawlings regime pursued radical economic redistribution policies. This was popularly supported by low income classes. However, the shift to a free market economic approach brought tension between the government and its previous allies such as labor and student groups.

This article raises the question: how did the Provisional National Defence Council (PNDC) of Rawlings successfully manage to maintain neo-classic economic policies despite popular opposition.(2) The answers are to be found in the regime's willingness and capability to insulate itself from powerful social groups and deal with social opposition with coercion, a weak institutional structure in society, and heavy financial assistance from international donors. The article discusses these issues in the context of politics of liberal economic reform in Third World countries.

Economic Liberalization and Authoritarian Regimes

Economic stabilization policies tend to weaken support for the government, especially since *IMF* stabilization often means "political and social destabilization." There is a linkage between economic measures and social and political consequences. Structural adjustment needs careful political management considering that it involves economic costs for certain groups. Identifying social groups whose interests would be hurt or promoted by liberal economic policy is crucial in the calculation of political risks.

Business groups would benefit from price liberalization that generates higher profit margins. Economic liberalization would increase the influence of external interest groups, including donor agencies and multi-national corporations (MNCs), on key economic sectors. They are often viewed as representing foreign interests, and their objective is to maintain their monopolistic positions in Third World economies. However, bureaucrats, manual workers, and low income consumers are more likely to oppose structural adjustment. Urban consumers would suffer from their reduced purchasing power and the removal of government subsidies. The elimination of government regulations may jeopardize the careers of civil servants while giving more autonomy to producers. Politically, major aspects of a stabilization program, particularly budget and wage

restraints, are considered highly risky. Austerity measures supported by IMF stand-by lending are more likely to provoke street riots. On the other hand, many policy measures based on World Bank loans entail long-term alignments of institutions, incentives, and relationships that include shifts of power and privilege to private capital. Medium and short-term adjustments are more difficult to achieve without a sustained commitment of governments which may be weakened by resistance from social groups and bureaucracies.(3)

Given its negative impact on the urban population, a major difficulty for liberal economic reform is that the government should anticipate little viable support. Thus, many governments are not willing to initiate adjustment reform without an overwhelming number of factors pushing it forward.(4)

Since it is rare to find a strong domestic coalition to support adjustment programs, external financial support is important to maintain a commitment of the government that implements unpopular economic austerity programs. The role of international financial institutions is critical, especially when the government faces strong opposition following currency devaluation and price liberalization. Foreign assistance is needed to ease import credits, control inflation, and rebuild infrastructure essential to improving productivity. The World Bank and the IMF use their financial assistance as political leverage to help the government through an initially difficult period of stabilization as well as to support pro-structural adjustment groups.(5)

The implementation of liberal economic measures requires effective management of relationships with key social groups. It may be necessary to insulate powerful social groups from policy making. Domestic coalition building can be significantly influenced by the statecraft of rulers. Authoritarian regimes, whether their power is based on the military or a single party, can better handle opposition to unpopular liberal economic policies than democratically elected governments. Elite consensus, repression, and significantly centralized power are more easily maintained in authoritarian regimes. Interest group influence is weaker in countries which do not have a free legislature, a free press or civil rights.

For authoritarian regimes that pursue structural adjustment, "the only politics may be sporadic acts of popular resistance."(6) Political institutions do not allow meaningful roles for interest groups and are perceived to lack legitimacy. In this situation, patterns of resource allocation and distribution of output, which are determined by existing power relationships, do not satisfy expectations of the population.

Proponents of structural adjustment consider that interest groups in developing countries, with a single exception of rural interest groups, are divisive, parasitic, and destructive to economic growth. In this view, especially in Africa, powerful lobbying by an urban coalition has resulted in government subsidies to essential goods and the control over prices of agricultural products.(7) They argue that a competitive process within the political arena may lead to irresponsible economic demands that will ultimately undermine compromises and social consensus in support of a free market system. The

authoritarian regime is therefore more effective in confronting urban interest groups.

In support of this view, one influential figure in the Research Department of the World Bank argued that a "courageous, ruthless and perhaps undemocratic government" is required to override special interest groups.(8) In fact, the majority of recipients of World Bank/IMF concessional loans were authoritarian governments. The support has been justified by the strong performance of adjustment programs.(9) Although recent World Bank documents have emphasized the limitations of a ubiquitous one-party state in pursuing long-term structural change, an authoritarian government may still be needed especially during the period of economic stabilization which requires tough austerity measures.(10)

Structural Adjustment in Ghana: Winners and Losers

Macro-economic policies in Ghana prescribed by the World Bank and the IMF led to retrenched state sectors and a shift of resources towards rural areas. Key urban groups have taken much of the cost of the reform program whereas a substantial reversal of trade terms between rural and urban areas favors rural producers. Devaluation helps export crop farmers but hurts urban wage earners. The wage increase is normally slow to offset the rise in prices of imported goods. On the other hand, the increase in producer prices for cocoa and other cash crop commodities, and major infrastructure rehabilitation efforts in rural areas produced higher incomes for farmers. The ratio of the price of a metric ton of cocoa to the urban minimum wage, for instance, rose dramatically. This indicates that the relative income of Ghana's rural producers became better than that of urban workers. It is a reversal of the decline of the late 1960s and 1970s.(11)

However, not all the people in rural areas benefit from the program. Economic conditions of food crop farmers did not change much with higher export crop prices. Economic liberalization favors especially large landowners and commercial farmers who employ sharecroppers or wage workers to maintain and harvest cocoa and other export crop trees. They get the benefit of higher producer prices and a low-wage policy.(12) Cocoa price policies and devaluation also benefit some small farmers who are engaged in cocoa production. There may be some employment opportunities for wage laborers who are employed to plant cocoa trees, harvest cocoa beans, weed, and undertake other agricultural tasks. However, the adjustment program's emphasis on the production of export crops for market did not help many small farmers, often women, and landless wage farmers, operating at mere subsistence level.

Price liberalization measures help small producers, shopkeepers, traders, and craftsmen by lifting state controls on producer prices. It provides an incentive to produce for the market, but underdeveloped marketing structures limit increased market production. In addition, the rising cost of imported primary products, shrinking domestic demand, and restrictions on domestic credit remain obstacles to the increased production which can benefit small producers.(13)

Cuts in food subsidies, devaluation, and massive dismissals of factory workers threaten

economic survival of the majority of the urban population. Urban consumers suffered from higher prices via devaluations, an end to key subsidies, and the introduction of user fees for medical services and education. State sector wage earners are affected by other elements of the neo-liberal package such as reduction in civil service employment.(14) The staff reduction program mostly affects the majority of the lower strata of civil servants, including laborers, charwomen, cooks, drivers, porters, stewards, sweepers, messengers as well as store officers, clerical officers, and secretariat personnel. The adjustment program has been very favorable to "the comprador class," embracing a wide variety of occupations - from local agents of foreign businesses, partners and consultants to such businesses as hotel accommodation. The emphasis on technocratic solutions to economic problems increased the influence of people in the higher echelons of the public service. Trade liberalization generates more profit for import and export merchants and higher salaries for top executives in private businesses, especially in the areas of foreign capital investment. The privatization measures benefit those who are able to buy up or buy into state owned enterprises usually at concessional prices.

Major gainers of such adjustment measures as devaluation are also big local and foreign capitalists who invested in export-oriented sectors, including gold mining, the timber industry, and other capital- intensive raw material producing industries.(15) The regime's economic programs have also promoted interests of the country's external creditors and foreign companies that previously were not able to repatriate profits and dividends. Under IMF programs, the government has kept up with payments of dividends and other commitments despite facing enormous debts.(16)

Overall, adjustment programs in Ghana favored cash crop farmers and export oriented industries. The policy has been beneficial to rural areas where both devaluations. and producer price increases stimulate higher production. However, structural adjustment brought about declining living standards for the majority of the ordinary urban population. Workers, students, and civil servants have been hit hard by IMF stabilization measures.

Responses of Economic Interest Groups to Adjustment Policy

The effects of austerity policy measures resulted in the vehement opposition of various urban interest groups to World Bank and IMF programs. Trade unions and student groups who formed the initial support base of the Rawlings regime turned out to be its worst enemies. Given its previous hostile relationship with the regime and the government's unwillingness to protect indigenous business interests against foreign economic domination, the business class showed a cautious response despite the fact that such policies as privatization and wage controls may benefit them. Farmers are not well organized and do not seem to be important politically, but cocoa producing regions could be a new support base for the government.

Labor Opposition. For the urban working class in Ghana, the government's pursuit of economic adjustment marked the beginning of the transition from the period of alliance to the period of confrontation with the regime. At the initial phase of the ERP that was

implemented by the 1983 budget, workers even defended the regime against massive criticism and opposition despite their understanding of the serious impact the program might have on their incomes and consumer prices. They believed that ultimately the government was committed to defending and enhancing their interests. By the middle of 1984, however, the government's subsequent anti-labor wage, price and employment policies completely alienated labor groups. In its statement on 24 October 1984, the executive board of the Trade Union of Congress (TUC) lamented "the grave and critical economic and social situation in the country" and warned against "the continued implementation of the IMF and World Bank inspired SAP which was having deleterious effects on worker's incomes and living conditions."(17)

In the opinion of the unions, adjustment policies caused workers to pay an unnecessarily high price for the economic mismanagement of past governments. The TUC argued that real wages had dropped by about 50 percent in the 1980s. Labor unions insisted that privatization of state enterprises and devaluation would not solve structural problems in Ghana's economy. At the 1985 May Day Rally celebrating international labor solidarity, workers expressed their displeasure with government policies by carrying placards, some of which read "PNDC we are hungry." (18) Recurrent conflicts between the TUC and the PNDC result from the government's need to contain its public expenditures which is required by an IMF loan condition. External pressure also forced the government to lay off work forces in inefficient state enterprises. All these policies made labor the most formidable enemy of structural adjustment.

Labor leaders were also unhappy with the government's lack of consultation with unions in policy formulation. The working class is especially bitter about the PNDC's neglect of the existing mechanisms of policy dialogue. The Secretary General of the TUC, Yankey, complained about the government's reluctance to consult with either employers or workers about the direction of the economy. In the May Day address in 1988, he criticized overdependence on cocoa, saying, "it is unrealistic to base the development of our economy on a product whose prices [are] outside our control."(19) They are also suspicious of the government's relations with the IMF and the World Bank. The Industrial and Commercial Workers Union, the biggest union in Ghana, accused the PNDC of not publishing its agreements with international financial institutions and concealing the cost of maintaining foreign advisors. In addition, it demanded restricting debt service to 10 percent of foreign exchange earnings.

Privatization of public sector enterprises and civil service cuts remain major concerns to labor. However, trade unions more vehemently oppose government attempts to intervene in the collective bargaining with employers. The government involvement in the bargaining on wage restraints, suspension of benefits and widespread retrenchment significantly weakened the power of trade unions. Indeed, workers believe that "under the cover of economic crisis" the government tries to eliminate the trade union movement and its class representation. In a few areas, on the other hand, trade unions were able to defend their interests. In 1986, the government decided to eliminate leave allowances that employers used to pay. However, the widespread protests and strike threats resulted in the government's withdrawal of this proposal.(20)

In general, workers express anxiety about the direction of national policy, especially threats of mass retrenchment of workers, cutbacks in subsidies resulting in increasing costs of social services and basic commodities. In addition, they are frustrated with "the non- recognition of the crucial role of the masses in revolutionary social transformation and therefore the absence of any proper and consistent channels of participation in decision-making by the mass of the people through their organizations." (21) They are bitter about human rights abuses such as harassment and detention, and demand protection of civil rights. The working class also criticizes the loss of revolutionary ideals which initially brought the PNDC to power.

Business Concerns. Structural adjustment has been positively embraced by the private sector which suffered from state intervention and anti- business sentiment during the early PNDC period. On the other hand, the business community is concerned about the government's inability to manage industrial-labor relations. At the 28th annual meeting of the Ghana Employer's Association (GEA), the business class complained that "steep price increases and other social costs had driven the trade unions to exert pressure on our members to pay much higher wages and salaries which are bound to fuel the inflationary spiral and undermine the national wages and incomes policy.... We would like an assurance [that] we shall not be left alone to face the brunt of the worker' s wrath." (22) Major complaints lie in the lack of input by key social groups in economic policy-making. The GEA pointed out the absence of a forum for employers, trade unions, universities and other groups to exchange views on the economy.

Local private capital are also worried about the adverse impact of some adjustment measures, including severe liquidity problems, rising interest rates, and high import costs caused by continued depreciation of the cedi. (23) Massive devaluation of the cedi from 2.75 to the dollar in 1983 to over 390 in 1991 generated a severe liquidity crisis. Companies which depend on imported machinery and raw materials suffer from devaluation that makes the domestic prices of imported goods higher. The problem was compounded by a tight credit policy that resulted from high interest rates designed to curb inflation.

In addition, trade liberalization measures have not been favorably accepted by the business circle. (24) The owners of existing enterprises continued to call for protection from import competition. Nearly all garment factories in the country have ceased to exist due to fierce competition with foreign firms, including Utams, Intra, Ghanari, Universal, Novelty and Loyalty. The President of the Association of Ghana Industries stressed that the business groups want to secure some form of protection to redress "the near collapse of local industries." The GEA also called upon the government to impose import quotas on foreign goods to save local industries from extinction. (25) The businesses facing more severe foreign competition seem to be unhappy with the PNDC's responses that the adjustment generates a favorable business environment, and that trade liberalization would help competitiveness of indigenous businesses.

Student Protests. Students protested education user fees and low food allowances. In

particular, they opposed decisions to remove boarding and food subsidies. Students argued that education reform programs sponsored by the World Bank would make education available only for children of the rich, since the government withdrawal of these subsidies would bring extreme hardship to most students whose parents were unable to pay for college education.

Students at Ghana's three major universities protested against the national education reform program in 1987. The protests started at the University of Ghana's Legon campus on March 6, but they were later joined by the University of Cape Coast and the University of Science and Technology at Kumasi. During the Legon demonstration, students burned a coffin, which symbolized the mortal remains of the Rawlings regime and its reform program. This event finally led to the closure of colleges and the arrest of student leaders.

During the 23rd Annual Congress of the National Union of Ghana Students (NUGS) held in April 1987, student delegates complained that various aspects of planned changes in the education system would force students in boarding schools to pay higher fees as well as other charges. According to the arguments of the students, these additional charges in some cases make the boarding fee three times the minimum civil service wage. In alliance with students, the TUC showed public support for student demands in its message to the NUGS Congress. The message said, "as parents, we are opposed to the proposed increase in school fees and the threat to remove feeding subsidies as contained in the universities." (26)

The general discontent is reflected in a letter of the student resistance committee at the University of Ghana which was published in the London weekly West Africa magazine. The letter referred to IMF "poison," saying that,

A massive retrenchment of workers is being carried out in both state and private enterprises without a thought for the human beings affected. The removal of government subsidies and the dramatic devaluation of the cedi have resulted in unaffordable hospital fees and rates for utilities and transport, [and it vowed to] continue to struggle till all the remnants of the obnoxious anti-worker, anti-student policies imposed by the IMF and World Bank puppets have been dismantled.(27)

Criticisms from Intellectuals. Ghanaian intellectuals, in general, are also critical of the PNDC's economic policies. At its Third National Congress in April of 1988, the University Teachers' Association of Ghana (UTAG) called upon the government to develop programs which can protect mothers and children as well as promote the indigenous manufacturing sector. They also demanded the government actively recognize the rights of all classes of Ghanaians.

Criticisms of adjustment programs are often linked to a negative assessment of the role of international financial institutions in Africa. Their failure to deal with the volatility of commodity prices makes

the role of the IMF and the World Bank more poignant for developing countries. That role

cannot be satisfactorily fulfilled unless the operational paradigm of these institutions is specifically oriented to the human crisis that Africa confronts and the urgencies of achieving real transformations, not mere improvements in monetary aggregates and global macro-economic numbers.(28)

Some intellectuals doubt the honesty of the government's report on the performance of the ERP and question the seriousness of government efforts to bring positive economic changes. Kwasi Anyemadu, a lecturer in economics at the University of Ghana, argues that despite some improvement, the economic situation is not really as healthy as the government claims.(29) In general, there is deep mistrust between the government and intellectuals, especially on the left, who believe that the PNDC does not represent interests of the population.

Interests of the Middle Class. Led by professional organizations, the middle class has traditionally backed liberal economic policies, distrusted populist governments, and opposed oppressive political rule. The Western-educated tend to feel more frustrated by the PNDC's closed style of governance, its intolerance of criticism, and a consequent lack of real public debate. Some professional groups, most notably the lawyers, have had a continued battle with the PNDC. The government's practice of political detention and other human rights abuses concerned the middle class.(30)

Proponents of the ERP believed that, due to its resources and ability to understand positive changes of economic liberalization, the middle class could take advantage of the adjustment program and easily engage in investment activities. However, the Ghanaian urban middle class, which is considered the oldest and most sophisticated in Africa, is still ambivalent about the Rawlings regime. Because of previous PNDC policies which antagonized them, the middle class has not been willing to show visible support for the regime.(31) The vivid memory of the middle class about the Rawlings regime's attack on the wealthy before its adoption of the ERP led to hesitancy to invest scarce capital for the uncertain economic future, and many professionals in exile were still reluctant to return.

The ERP was supposed to strengthen those sections of society that would benefit most from capitalist development.(32) The indigenous private sector, which was once relatively vibrant, became moribund. Both external donors and the government were worried about the lack of a strong private sector response to the free market economic reform. The ERP mostly benefitted foreign resident business groups such as Indians, Lebanese, Syrians, Taiwanese, and some Europeans who aggressively responded to economic liberalization measures. They have good management skills, resources to invest, an understanding of a free market system, and access to technology and information. However, they became visible targets of resentment. Reflecting public sentiment, even a government newspaper expressed growing impatience with those non-indigenous businessmen "who flout Ghanaian laws and vaunted their conspicuous affluence [and warned that] unless they take firm steps to curb the excesses of their countrymen, the anger of Ghanaians may spill over to those who exploit the countrymen."(33)

From the middle of the 1980s, some traditional chiefs and leaders of Christian churches

and professional associations, who previously opposed the Rawlings rule, began to believe that the ERP would be a solution to the nation's economic crisis.(34) Catholic and Protestant church leaders were initially critical of the PNDC's militant strategies. However, later they have become more sympathetic to the government's efforts to restore social order and discipline. Rev. Francis W. B. Thompson, Anglican Bishop of Accra, even strongly urged Christians to "throw their full weight behind the Government in its effort to reorganize the social and moral lives of Ghanaians."(35)

The middle class is somewhat fragmented, but the ERP can appeal especially to those with professional skills.(36) The pursuit of IMF ordained policies may regenerate economic and political power of social forces favoring capitalist development.

Power Struggle within the Ruling Coalition

The PNDC originally had a large representation from the radical left, including the militant sections of students, workers and soldiers as well as organized movements such as the June Fourth Movement, the New Democratic Movement, the Kwame Nkrumah Revolutionary Guards, and the African Youth Command. Radical movements tend to link international financial forces to neo-colonialism. They ascribe poor economic conditions; in Ghana to exploitation by foreign capitalists who have been assisted by "a comparador bourgeoisie." They prefer direct national control of economic activities rather than Ghana's integration into an international market.(37)

The PNDC's links to the left and its views on the private sector were major obstacles to the acceptance of World Bank/IMF programs. The Bank emphasized that the adjustment policy would be effective provided the general political and social milieu were favorably changed. Until the end of 1984, donor countries continued to express doubt about the government's capacity to control radical political forces effectively.

The general principle of agreements with the IMF was supported by the pro-IMF financial bureaucracy and "a minority on the left identified with the New Democratic Movement (NDM) and, principally, its leading member, the PNDC Secretary for Finance, Botchwey. The bureaucracy was alarmed by the "anarchy" in state-owned factories, "people's power," and the attempts of grassroots political organizations to undermine the state structure. Those forces were unpredictable and not easily subject to central control. The state bureaucracy looked for allies who could re-introduce "discipline" and help arrest anarchistic developments.(38) They hoped to use the agreement with international financial institutions to control labor movements. On the other hand, in order to consolidate the socialist revolution, a small minority group of Marxists considered temporary collaboration or, at least, a normalization of relations with "imperialism."

The major opposition to any form of collaboration with international financial institutions came from the leftist faction supported by nationalist intellectuals and workers' organizations. They proposed a self-reliance policy based on popular mobilization and looked for economic assistance from socialist countries. However, the position of the anti-IMF faction was weakened by the failure to obtain aid from alternative sources.(39)

The implementation of the ERP in 1984 and the political pressure from the donor agencies resulted in the disorganization and defeat of the progressive groups who were subsequently driven to the periphery of state power.

The PNDC's Authoritarian Rule and Response to Opposition

The PNDC survived numerous attempted counter-coups in the first few years after it started the ERP. However, it also had to face other types of organized opposition groups such as the Movement for Freedom and Justice (MFJ) which was led by nationalist intellectuals and politicians, including Adu Boahen, a well-known retired historian, Johnny Hansen, ex-PNDC Secretary for the Interior, and Ray Kakraba-Quarshie, a lawyer based in Accra, John Ndebugre, ex-PNDC Secretary for Agriculture.(40) Opposition groups, which had strong connections to students and labor, denounced the Rawlings government's close ties to international financial institutions. In response to opposition, the PNDC repressed public discussion of adjustment measures and criticisms of the government. It also outlawed or restricted strikes and crushed mass demonstrations through the use of state power.

The government was surprised by the vehemence of the student and public response to an open discussion of World Bank supported educational reforms in early 1987.(41) This had the effect of reinforcing authoritarian political rule. Since 1983, Ghana lacked representative institutions until the elections for the district assemblies held in 1988. The PNDC's rhetoric and promises of "debate" about liberal economic measures did not bring any popular input into its policies. The outcomes of the national elections in late 1992 and early 1993 have not provided an environment for wider political participation. The political legitimacy of the Rawlings government is still questioned by the repression of trade unions and a lack of open discussion about government policies.

Repression of Popular Movements. Government officials are worried that political instability following resistance from key opposition groups could have a devastating impact on the remarkably sustained efforts of the ERP.(42) Workers are major concerns to the regime since their protest can be disruptive to the economy. Since the initiation of the ERP, Rawlings has attempted to significantly reduce economic and political power of workers. While emphasizing discipline and productivity, the government often criticized TUC demands for wage increases.

The PNDC depended on "moral exhortation" and a subtle campaign depicting some workers as self-interested. In his speeches, Rawlings often stressed productivity, discipline and hardwork in reversing the economic crisis. The press under the influence of the government praised farmers for their contribution to the nation, while urging workers to restrain their demands. In the government media, workers are often described as unproductive.(43)

New policies were oriented toward reconciliation with "the class enemies of the masses." Rawlings often criticized the "militant minority" and warned that the regime would not

tolerate "a situation where petty power brokers exercise authority without responsibility." He also argued that the trade union movement has been dominated by a few who do "not always express the real interests of that constituency." In his view, some union members "do not always see beyond the short term, and will not analyze the implications of wage claims within an economy in which production is declining." (44) His remarks were consistent with the PNDC's emerging anti-popular position.

Opponents of popular movements were appointed to high office, and their influence grew. This increased the alienation of popular forces, especially the working class, from the PNDC regime. Labor agitations were often encountered by severe repressions. The government used military and police forces against workers in disputes at Assene Household Enamelware Limited in Accra and striking workers of the State Gold Mining Corporation's Dunkwa mines. (45) The growing gap between the PNDC regime and labor was more dramatically represented in the four month battle which erupted in April 1984 at the Pioneer Food Company (PFC) in Tema. The labor struggle at PFC and the brutal repression by the police demonstrated the regime's growing hostility to the working class. It reflects evolving changes in the government's policy toward industrial relations. (46)

Efforts to weaken working class solidarity followed the regime's anti-labor wage, prices and employment policies. By the end of 1984, the Defence Committees, which were autonomous and militant organizations for labor's political struggles, were transformed into the Committees for the Defence of the Revolution (CDRs). Greater executive control was imposed on the new organization through the supervision of respective District and Regional Secretaries of the PNDC government. They effectively brought the CDRs under their control and changed its orientation from political agitation and mobilization to essentially non-political tasks. The bureaucratization of the CDRs was designed to take away any possibility of its becoming an alternative source of legitimacy and power in the political process.

To eliminate the influence of the unions on the management, on 3 December 1984, the PNDC abolished the Interim Management Committees in public enterprises and corporations which allowed the participation of labor representatives in key management decision-making. The newly established Joint Consultative Committees had only advisory functions and did not have any meaningful influence on management even though workers could still be members. This change was made in an effort to reduce uncontrolled grassroots activism.

The organizational changes were designed to eliminate the leverage of workers and place pressure on factory workers to increase productivity. The government used the CDRs as a tool for dividing the ranks of workers and making collective labor action ineffective. The repression of labor movements contrasts with the PNDC's labor agitations of the 1982-83 period.

In order to facilitate the implementation of World Bank/IMF policies, the PNDC changed its role to ensure that industrial relations would not become an impediment to neo-classic economic reform. The new direction of government policies culminated both in the shift

that occurred in the ideological and political orientation of the PNDC and in its resolve to pursue economic adjustment.

Politics for Building a New Support Base. The influence of interest groups is related to their mobilization capacity and formal political representations.(47) The PNDC's dilemma is that major beneficiaries of the ERP, expatriate business people and cocoa farmers, are difficult to mobilize for its support. The success of expatriate business has proved politically embarrassing to the government which needs to justify the ERP. Farmers in Ghana, who are supposed to be major gainers of the ERP, do not constitute a powerful interest group like big landowners in Kenya and Ecuador who are represented in parliament through a national farmers' union. Repeated government efforts to find an appropriate political agenda were not successful in mobilizing rural support. It will take time to build a coalition among politically inactive rural constituencies in support of adjustment policies.

By attempting to broaden the base of support, the Rawlings regime hoped to receive a mandate that is different from seizing power. The government invited highly placed lawyers, professionals, and women's representatives to become members of the Cabinet and the ruling party, and tried to transform the December 31st Women's Movement into an organization supportive of the government. The bid for rural grass- roots support has included overtures to local chiefs and clergy. The traditional chiefs are viewed as instruments of stability and linkage with the rural population. To overcome populist resistance and reduce an anti-government sentiment, Rawlings directly appealed to the chiefs in such regions as Ashanti. Regional consultative committees of professionals, chiefs and businessmen were established in 1984 to advise the regime.(48)

The political economy of distribution in Ghana has been based on regional as well as class relations. Ethnicity can profoundly affect the support base of economic policies through patronage relationships. The ERP has been positively received in the main cocoa-growing regions such as Ashanti and Brong Ahafo which suffered from previous government policies to overtax and underpay cocoa producers. On the other hand, the PNDC's economic policies have been unpopular in the Accra region, like Seikondi-Takoradi in the West, which has a large number of organized labor, business, and professional groups.(49)

In his efforts to recruit ethnically diverse groups for the government, Rawlings has courted various rival ethnic constituencies, including Ewe, Adangbe, Ashanti, and Brong. Effective political control in Ghana necessitates broad support and policies divorced from ethnic, regional or economic favoritism. Rawlings has attempted to build ethnic cooperation by emphasizing the irrelevance of ethnicity in constructing a strong Ghana.(50)

Efforts for Political Reconciliation. The instability within the military as well as the TUC's criticisms about the government's lack of a comprehensive redeployment program prompted the Rawlings regime to take a more conciliatory stance. Especially before the local district elections in 1988 and the presidential election in 1992, the government announced decisions to increase social spending for low income classes.

In 1987, the Program of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) was introduced to address social costs of the ERP. This was designed to ease resistance of workers who believed that they shouldered a disproportionate share of the cost of adjustment. As the regime faced difficult challenges following several monetary and institutional reforms, the program attempted to prevent worsening economic conditions of retrenched workers and the poor. The PAMSCAD was related to efforts of external donors and the government to gain political support.(51)

Another government effort to soften opposition was made at meetings held between government officials and union leaders. Even though the meetings did not bring any significant change in the relationship between the PNDC and trade unions, both sides agreed on the necessity of more frequent talks and cooperation in the future. The government was reported to have made some concessions, including the suspension of further lay-offs in specific sectors without a more expeditious procedure for the payment of entitlement. It also promised comprehensive retraining of the labor force and new compensation measures. In order to offer relief to workers, the Rawlings regime made further concessions by removing taxes on transport and canteen allowances. In addition, workers affected by the retrenchment program were entitled to two months' pay for every completed year of service as well as normal entitlements under the government's social security scheme. This move represented the regime's late efforts to improve their relations with labor despite IMF restraints on more public spending.

The government's main task in its pursuit of the ERP is to restore the mutual trust with key social groups and maintain confidence of international donors. The concessions especially to labor have been limited by policy conditionalities contingent on the approval of the World Bank and the IMF. In addition, full democratization demanded by diverse opposition groups and the government's refusal of that demand limits the possibility of gaining popular support despite some conciliatory economic measures.

World Bank and IMF Support. External support was mobilized when internal opposition to the ERP became stronger. Mounting internal opposition resulted in more funding in the hope that this would allow Ghana to continue and extend its structural adjustment programs. The dramatic fall of the economic program in Zambia in early 1987 helped Ghana get increased Western support at a Consultative Group meeting in Paris in May 1987. More concessionary financial assistance has helped Ghana remain one of the last remaining success stories in Africa.(52)

To help the government ease urban opposition, the World Bank began to support the PAMSCAD which was initially developed by health and education ministries of the PNDC government as well as UNICEF. Since February 1988, the World Bank organized special donor meetings to discuss the mobilization of financial and technical resources for comprehensive social sector rehabilitation projects. Donors recognized the need to ease tension from the social consequences of structural adjustment, and eighty five million dollars were raised for PAMSCAD at the 1988 meeting.

The PAMSCAD was an important political test, not just for the Rawlings regime, whose adherence to World Bank/IMF backed programs caused much political grief, but also for the World Bank which attracted increasing criticism in Ghana. There is always the risk that World Bank and IMF programs would nurture the seeds of political resentment that would undermine the viability of SAPs. It is no coincidence that Ghana, the only African country to follow the World Bank and IMF programs without interruption, should be the first subject of such an attempt. The PAMSCAD offered an opportunity for the government to legitimize its economic programs.

In the 1990s, the efforts of the international donor community have been directed toward political reform as well as economic liberalization. The pressure for a pluralistic political system is based on the confidence that Ghana has overcome difficulties caused by economic stabilization. In addition, the slow progress in institutional reform has led to a recognition of the necessity for a political system that is more susceptible to World Bank/IMF policy. The success of a long-term structural change in the economy may depend on the existence of a strong entrepreneur class that can be facilitated by a Western style democracy.

Indeed, the emphasis on democracy is related to an attempt to enhance the influence of private capital. In a credit agreement in April 1991, the World Bank convinced the government to accord highest priority to the promotion of private investment. Conditionalities for loans included active consultation with the private sector in an effort to remove obstacles to capital investment.⁽⁵³⁾ Representatives of business groups were increasingly represented in annual Consultative Group Meetings organized by the World Bank to solicit financial support from the international donor community.

Conclusion

The Ghanaian government adopted stabilization measures under external pressure. The ERP divided the political coalition of the PNDC which was built in 1982. The most visible opposition to World Bank/IMF programs came from workers and students who enthusiastically supported socialist economic policies of the early Rawlings regime. While business groups and the middle class can potentially benefit from various measures to support the private sector, they open criticism of import liberalization and credit policies. On the other hand, the Rawlings regime has had difficulty in mobilizing the support of cocoa farmers and foreign business groups who have been major beneficiaries of SAPs.

The absence of reliable support for liberal economic reform and popular resistance forced the government to take a coercive strategy. The survival of the Rawlings regime can be explained by strong financial support from external actors and relatively ineffective opposition to authoritarian rule. By using coercive measures, the PNDC regime was able to depoliticize Ghana's public environment and reduce political opposition particularly of the left. To pursue economic adjustment programs which may help solve balance of payments problems, political leaders must carefully consider the fear of an intensified protest that often follows various austerity measures. The Rawlings government was willing to take risks of alienating key political and social groups in order to obtain financial aid from the

World Bank and IMF.

Notes

1. The majority of African countries are currently implementing World Bank and IMF adjustment programs. For the evaluation of structural adjustment programs in Africa, see Sayre Schatz, "Structural Adjustment in Africa: A Failing Grade So Far," *The Journal of Modern African Studies* Vol. 32, no. 4 (December 1994), pp. 679-692.
2. Ghana's orthodox liberal economic reform was implemented under authoritarian rule. After Rawlings took power by a military coup in 1982, no national elections were held until 1992. The 1992 presidential election was full of common electoral malpractice, including the inaccuracy of the voters' register and the use of state resources for assisting the government candidate's campaign. This led the opposition leaders to refuse to accept Rawlings' victory. They boycotted subsequent parliamentary elections in which the candidates of opposition parties may have won many seats. The PNDC was transformed into the National Democratic Congress after a disputed presidential election victory in December 1992. Because of the continued monopoly of power in one party, the elections have not resulted in any significant changes in government policies and their relationships to major social groups and external economic forces.
3. Joan M. Nelson, "The Diplomacy of Policy-Based Lending," in Richard Reinberg, ed., *Between Two Worlds: The World Bank's Next Decade* (New Brunswick: Transaction Books, 1986), p. 72.
4. Stephen Haggard and Robert R. Kaufman, "Institutions and Economic Adjustment," in Stephen Haggard and Robert R. Kaufman, eds., *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State* (Princeton: Princeton University Press, 1992), p. 14.
5. John Toye, "Interest Group Politics and the Implementation of Adjustment Policies in Sub-Saharan Africa," unpublished manuscript, (University of Sussex, 1991), p. 4.
6. Ibid. p. 21.
7. Michael F. Lofchie, "The New Political Economy of Africa," in David E. Apter and Carl G. Rosberg, eds., *Political Development and the New Realism in Sub-Saharan Africa* (Charlottesville: University Press of Virginia, 1994), pp. 145-83.
8. Deepak Lal, *The Poverty of "Development Economics"* (London: IEA, 1983), p. 33.
9. Thandika Mkandawire, "The Political Economy of Development with a Democratic Face," in Giovanni Andrea Cornia, Rolph van der Hoeven, and Thandika Mkandawire, eds., *Africa's Recovery in the 1990s* (New York: St. Martin's Press, 1992).
10. Jeffrey Herbst, *The Politics of Reform in Ghana, 1982-1991* (Berkeley: University of

California, 1993), p. 159. Since the early 1990s, some international donors began to stress political reform which promotes a formal political process such as elections and multi-party systems. Recent World Bank publications also emphasize the negative role of an authoritarian government in a free market economic reform (World Bank, World Development Report 1991: The Challenge of Development (New York: Oxford University Press, 1991), p. 130). This is designed to build political conditions for a free market economy rather than encourage grassroots participation James Adams and Jennifer Rietbergen-McCracken, "Participatory Development: Getting the Key Players Involved, " Finance and Development vol. 31, no. 3 (September, 1994), pp. 36- 37. The rule by law, predictable procedures, accountability and transparency in decision-making can better protect private investment.

11. Thomas M. Callaghy, "Lost Between State and Market: The Politics of Economic Adjustment in Ghana, Zambia, and Nigeria," in Joan M. Nelson, ed., Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World (Princeton, NJ: Princeton University Press, 1990), p. 278.

12. Akilagpa Sawyere, "The Politics of Adjustment Policy," Paper for International Conference on "The Human Dimension of Africa's Economic Recovery and Development," Khartum, Sudan (March 1988) p. 22.

13. Tony Killick, The Adaptive Economy: Adjustment Policies in Small, Low-Income Countries (Washington, D.C.: World Bank, 1993). Peter Korner, Gero Maass, Thomas Siebold, Rainer Tetzlaff, The IMF and the Debt Crisis: A Guide to the Third World's Dilemma (London: Zed, 1986), p. 137.

14. Charles Harvey, "Recovery from Macroeconomic Disaster in Sub-Saharan Africa," unpublished manuscript (1991), p. 25.

15. Tony Killick, "Working Paper 48," Country Experiences with IMF Programmes in the 1980s (London, England: Overseas Development Institute, 1991), p. 31.

16. Kwesi Jonah, "The Social Impact of Ghana's Adjustment Programme, 1983-86," in Bade Onimode, ed., The IMF, the World Bank and the African Debt (London: Institute for African Alternatives, 1989), p. 149.

17. Kwame A. Ninsin, "State, Capital and Labour Relations, 1969-1987, " in Emmanuel Hansen and Kwame A. Ninsin, eds., The State, Development and Politics in Ghana (London: Codesria, 1989), p. 37.

18. The Pioneer (Ghana), 3 May 1985.

19. Economic Intelligent Unit (EIU) based in London publishes a weekly report on economic, political, and social conditions of various countries, Ghana Country Report, no. 3 (1988).

20. Jon Krause, "Ghana's Shift from Radical Populism," *Current History* vol. 86, no. 520 (May 1987), p. 227.
21. Yao Graham, "From GTP to Assene: Aspects of Industrial Working Class Struggles in Ghana 1982-1986," in Ninsin and Hansen, eds., *op. cit.*, p. 62.
22. EU, *op. cit.*, p. 15.
23. Roger Tangri, "The Politics of Government-Business Relations in Ghana," *Journal of Modern African Studies* vol. 30, no. 1 (1992), pp. 97-111.
24. Callaghy, *op. cit.*, p. 282.
25. EU, *op. cit.*, p. 15.
26. *Ibid*, pp. 9-10.
27. *West Africa*, 17 August 1987.
28. Tsatsu Tsikata, "The Human Dimension of *Africa's* Economic Recovery and Development: Ghana's Country Experience," paper presented at International Conference on the Human Dimension of *Africa's* Economic Recovery and Development, Khartum, Sudan, (March 1988), p. 22.
29. *Africa News*, (7-20 December 1992) p. 5.
30. Richard Jeffries and Clare Thomas, "The Ghanaian Elections of 1992," *African Affairs* vol. 92. no. 368 (July 1993), pp. 358-59.
31. Callaghy, *op. cit.*, pp. 281-82.
32. Nii K. Bentsi-Enchill, "Year Six of the PNDC: The PNDC and National Policies," *West Africa* (11 January 1988), p. 17.
33. *Daily Graphic* (23 November 1988).
34. Kwame A. Ninsin, "Ghana under the PNDC: Delinking or Structural Adjustment?" in Azzam Mahjoub, ed., *Adjustment or Delinking?: The African Experience* (London: Zed Books, 1990), p. 143.
35. *The Ghanaian Times* (26 August 1985).
36. R. H. Green, *Stabilization and Adjustment Policies and Programmes: Country Study 1, Ghana* (Helsinki, Finland: World Institute for Development Economics Research, 1987), p. 20.

37. Douglas Rimmer, *Staying Poor: Ghana's Political Economy, 1950- 1990* (Oxford: Pergamon Press, 1992), p. 180.

38. Eboe Hutchful, "From 'Revolution' to Monetarism: the Economics and Politics of the Adjustment Programme in Ghana," in Bonnie K. Campbell and John Loxley, eds., *Structural Adjustment in Africa* (New York: St. Martin's Press, 1989), p. 103.

39. Ho-Won Jeong, "The Impact of the World Bank and the IMF on the Structural Adjustment Program in Ghana," *Journal of the Third World Spectrum* vol. 2, no. 1 (Spring 1995), p. 102.

40. Kevin Shillington, *Ghana and the Rawlings Factor* (New York: St. Martin's Press, 1992), p. 170.

41. Callaghy, op. cit., p. 278.

42. Ibid. p. 281.

43. Graham, op. cit., p. 61.

44. Ibid.

45. Ninsin, op. cit., p. 37.

46. Graham, op. cit., p. 62. There are more incidents of government attacks on labor. In 1985 police attacked regional CDR centers in the Eastern and Volta regions and in Tema and arrested CDR leaders. In 1986, CDR and union leaders were arrested at a factory when they protested unsafe working conditions; several CDR and leftist political organization leaders were arrested for encouraging massive worker protests and threatening to strike to protest the government's decision to end all leave allowances - a measure that the PNDC finally had to cancel (Jon Kraus "Ghana's Shift from Radical Populism," *Current History* vol. 86, no. 520 (May, 1987), p. 207).

47. For a review of interest group politics in Africa, refer to Timothy Shaw, *Reformism and Revisionism in Africa's Political Economy in the 1990s: The Dialectics of Adjustment* (London: St. Martin's Press, 1993); and John Healey and Mark Robinson, *Democracy, Governance and Economic Policy: Sub-Saharan Africa in Comparative Perspective* (London: Overseas Development Institute, 1992).

48. Kraus, op. cit., p. 207.

49. Jeffries, et al., op. cit.; Green, op. cit., p. 19.

50. Gwendolyn Mikell, *Cocoa and Chaos in Ghana* (New York: Paragon House, 1989), p. 245.

51. Callaghy, op. cit., p. 284.

52. World Bank, Adjustment in Africa: Reform, Results, and the Road Ahead (New York: Oxford University Press, 1994).

53. The Ghanaian Times (18 May 1991).

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Jeong, Ho-Won, Liberal economic reform in Ghana: a contested political agenda.(The Politics of Economic Integration in Africa)., Vol. 42, Africa Today, 09-01-1995, pp 82(23).

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